Budget Brief 2027

Kingdom of Saudi Arabia

December 2026

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2027

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Foreword

We are pleased to present our assessment of Saudi Arabia's FY 2027 Budget, providing an independent perspective on the Kingdom's fiscal direction, economic outlook and development priorities. Drawing on the Ministry of Finance's Budget Statement, this assessment examines the implications of the government's revenue and expenditure projections, sectoral allocations and medium-term fiscal framework, supported by our own analysis and insights.

The Ministry of Finance has released the Budget Statement for Fiscal Year (FY) 2027, presenting the government's updated outlook on revenues, expenditures, fiscal priorities, and key national programmes. The document outlines the Kingdom's fiscal strategy amid heightened geopolitical uncertainty, highlighting its continued commitment to economic diversification, fiscal sustainability and the advancement of Vision 2030.Saudi Arabia's economy enters FY 2027 following a period of geopolitical disruption and external economic uncertainty. While these developments weighed on overall economic performance in 2026, non-oil activities continued to demonstrate resilience, supported by domestic demand, private-sector participation and ongoing structural reforms. The anticipated recovery in oil activities, alongside sustained non-oil expansion, is expected to underpin a stronger economic trajectory.

The FY 2027 budget projects real GDP growth of 10.9%, following an estimated contraction of 2.1% in 2026. The recovery is expected to be supported by the rebound in oil activities, continued investment in priority sectors and sustained momentum across non-oil activities. Total revenues are projected to reach 1,202 billion, while total expenditures are estimated at 1,392 billion, reflecting continued government commitments to economic transformation and development priorities.

> **The FY 2027 budget reflects the Kingdom's efforts to navigate an increasingly uncertain geopolitical environment while preserving the momentum of its economic transformation. The ability to sustain domestic economic activity, maintain investor confidence and advance diversification amid external disruptions will be critical to the resilience of the Saudi economy.**

A budget deficit of SAR 191 billion (3.6% of GDP) is forecast for FY 2027, compared to an estimated SAR 245 billion (4.9% of GDP) in 2026. Public debt is projected to reach 1,923 billion (35.9% of GDP), while government reserves are expected to remain at 399 billion. Financing needs will be met through a combination of domestic and international borrowing, alongside alternative financing mechanisms, providing flexibility to sustain priority investments.



Summit Goyal
Founder

As Saudi Arabia advances into thenext phase of Vision 2030, the FY 2027 budget underscores the importance of maintaining economic momentum while navigating an increasingly complex geopolitical environment. Continued efforts to diversify revenue sources, strengthen supply-chain resilience and improve expenditure efficiency will be central to sustaining the Kingdom's recovery and preserving its fiscal capacity over the medium term.

We trust this analysis will be valuable to your organization, and our BNC Global Consultech team remains available to discuss these developments in greater depth.



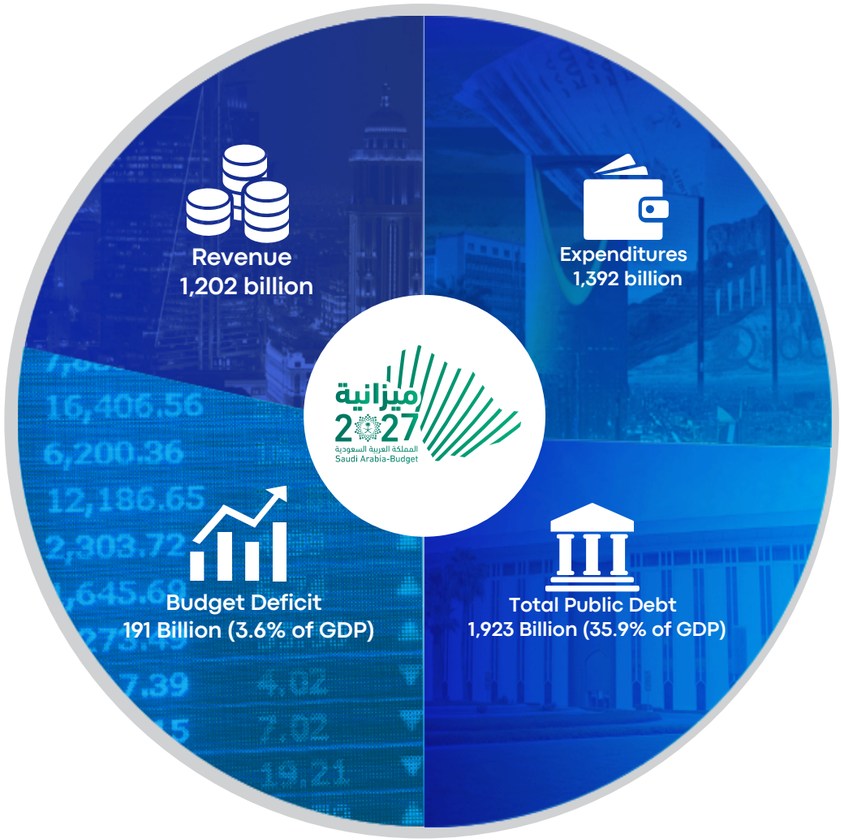


Gurvinder Singh
Co-Founder

> **The Kingdom faces the challenge of balancing continued development ambitions with a more complex external environment. Maintaining fiscal flexibility, strengthening alternative trade and logistics routes, and managing exposure to energy markets will be important in protecting economic gains and sustaining progress towards Vision 2030.**

Budget Summary

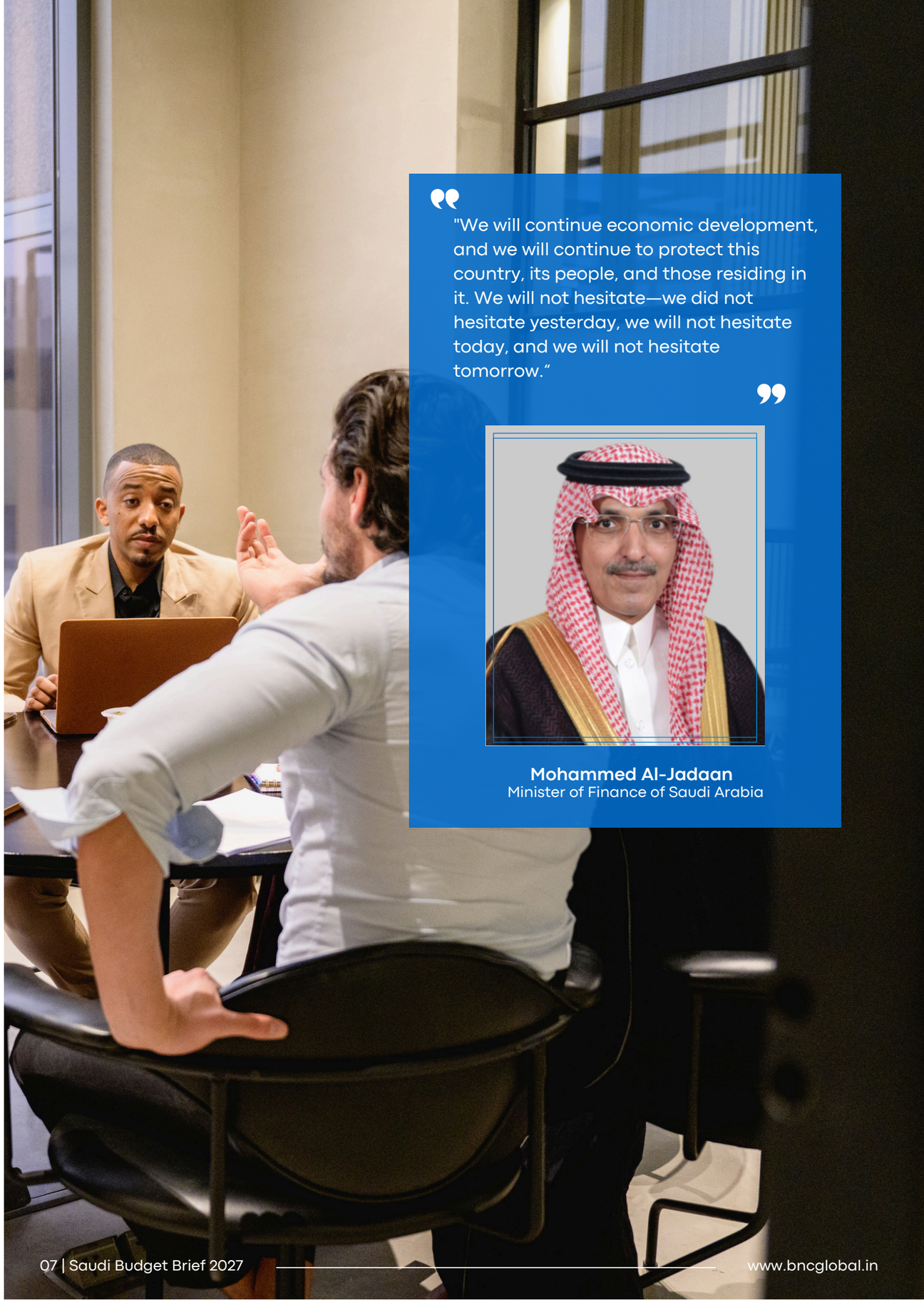
Budget 2027



Changes in budget 2026-27

	2026 E	2027 B	Change YoY	YoY (%)
Tax Revenue	397	414	17	4.5% ▲
Non-Tax Revenue	794	787	7	0.9% ▼
Expenditures	1,436	1,392	44	3.1% ▼
Deficit	-245	-191	54	22.0% ▼
Gross Public Debt	1,733	1,923	190	10.0% ▲

Source: Ministry of Finance



> "We will continue economic development, and we will continue to protect this country, its people, and those residing in it. We will not hesitate—we did not hesitate yesterday, we will not hesitate today, and we will not hesitate tomorrow."

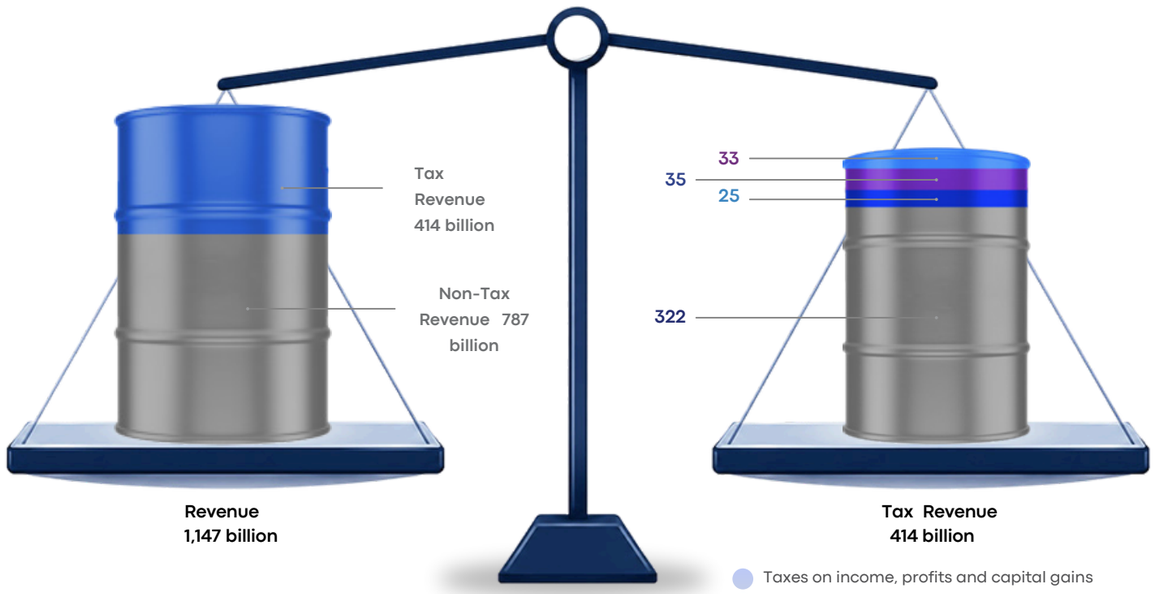
Mohammed Al-Jadaan
Minister of Finance of Saudi Arabia

Budget Summary

Budgeted Revenues 2027

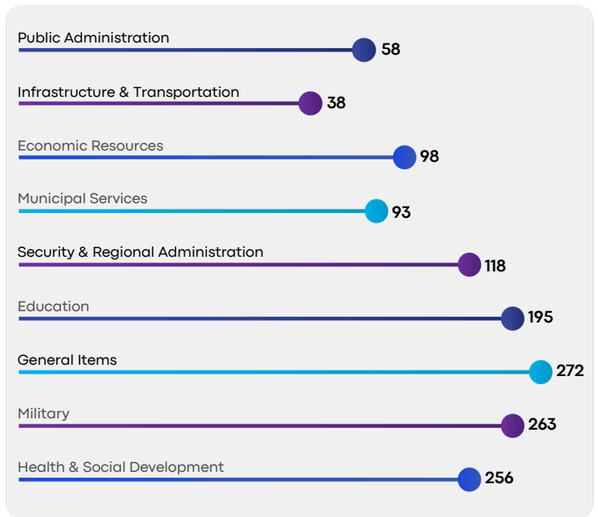
Total Revenue 1,147 billion

Tax Revenue 414 billion

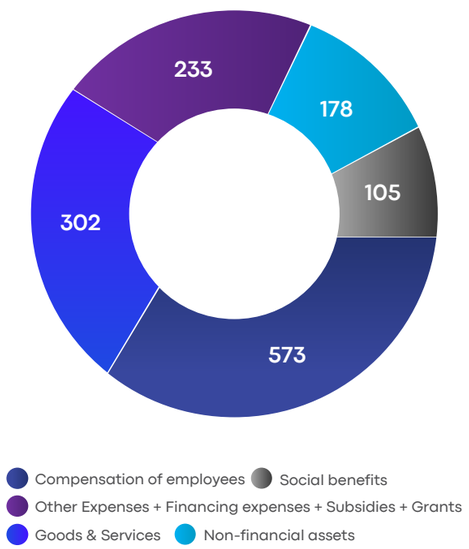


Budgeted Expenditures 2027

Expenditure by sectors 1,392 billion



Expenditure by sectors 1,392 billion

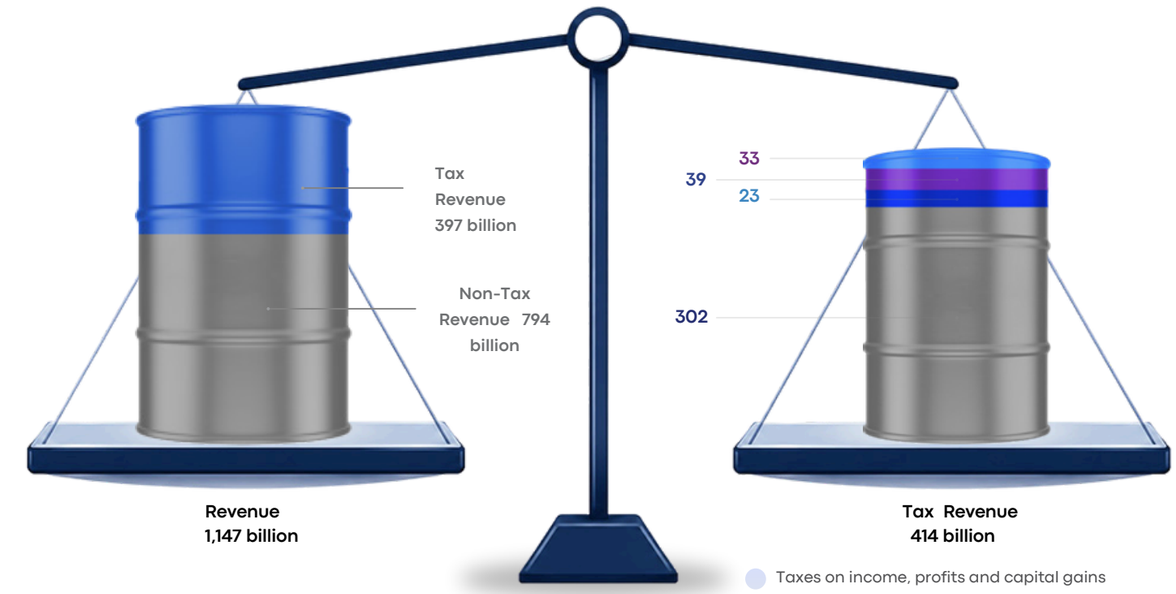


Source: Ministry of Finance

Estimated Revenues 2026

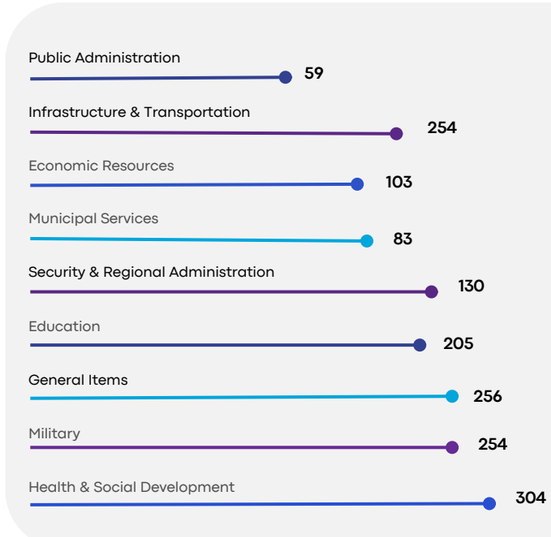
Total Revenue 1,191 billion

Tax Revenue 397 billion

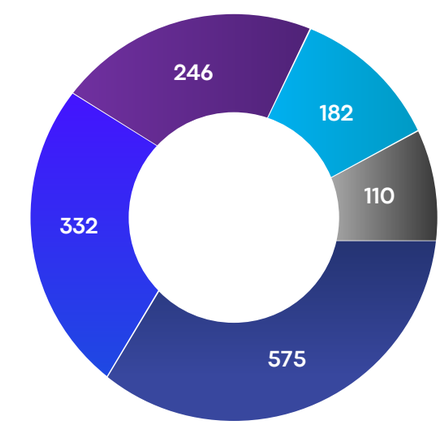


Budgeted Expenditures 2026

Expenditure by sectors 1,336 billion



Expenditure by sectors 1,336 billion



Source: Ministry of Finance

Budget Summary

Dashboard

	2023 A	2024 A	2025 A	2026 E	2027B	2028 P
Economic Output						
Nominal GDP (SAR billions)	4,003	4,703	4,776	5,026	5,364	5,701
Nominal GDP (% change YoY)	-3.7%	17.4%	1.6%	5.2%	6.7%	6.3%
Real GDP (% change YoY)	-0.8%	2.7%	4.6%	(2.1%)	10.9%	3.9%
Budget						
Total Revenue	1,212	1,259	1,112	1,191	1,202	1,302
Total Revenue as % of GDP	30.3%	26.8%	23.3%	23.7%	22.4%	22.8%
Oil Revenue	755	757	607	-	-	-
Oil Revenue as % of GDP	18.9%	16.1%	10.6%			
Non-Oil Revenue	458	502	505	-	-	-
Non-Oil Revenue as % of GDP	11.4%	10.7%	12.8%			
Expenditure	1,293	1,375	1,388	1,436	1,392	1,479
Expenditure as % of GDP	32.3%	29.2%	29.1%	28.6%	26%	25.9%
Surplus/(Def icit)	(81)	(116)	(277)	(245)	(191)	(177)
Surplus/(Deficit) as % of GDP	-2.0%	-2.5%	-5.8%	-4.9%	-3.6%	-3.1%
Gross Public Debt	1,050	1,216	1,519	1,733	1,923	2.100
Debt as % of GDP	26.2%	25.9%	31.8%	34.5%	35.9%	36.8%

A | Actual **B** | Budgeted **E** | Estimated **P** | Projected **—** | N/A

Source: Ministry of Finance



Budget Summary

Key Takeaways

ECONOMIC RECOVERY IS EXPECTED TO ACCELERATE IN FY 2027, SUPPORTED BY OIL RECOVERY AND CONTINUED NON-OIL EXPANSION

Real GDP is projected to grow by 10.9% in 2027, following an estimated contraction of 2.1% in 2026. The recovery is expected to be supported by the rebound in oil activities and sustained momentum in non-oil sectors.

NON-OIL ECONOMIC ACTIVITIES CONTINUE TO STRENGTHEN ECONOMIC DIVERSIFICATION AND RESILIENCE

Non-oil activities are expected to grow by 2.5% in 2026, with their contribution reaching a record 57.7% of GDP through Q3 2026. Continued expansion in tourism, industry, transport and logistics reinforces the Kingdom's progress towards a more diversified economic base.

GOVERNMENT REVENUES ARE PROJECTED TO INCREASE, WHILE THE FISCAL DEFICIT GRADUALLY NARROWS

Total revenues are projected to reach 1,202 billion in FY 2027, compared to estimated expenditures of SAR 1,392 billion. The resulting fiscal deficit is expected to decline to SAR 191 billion, equivalent to 3.6% of GDP, compared to 4.9% in FY 2026.

PUBLIC SPENDING WILL REMAIN FOCUSED ON STRATEGIC DEVELOPMENT PRIORITIES AND IMPROVING EXPENDITURE EFFICIENCY

The government will continue prioritizing projects with higher economic and social returns, while maintaining investment in infrastructure, human capital and public services. Education and Health & Social Development receive allocations of SAR 195 billion and SAR 256 billion, respectively, in FY 2027.

PUBLIC DEBT FINANCING WILL SUPPORT DEVELOPMENT PRIORITIES WHILE MAINTAINING FISCAL SUSTAINABILITY

Public debt is projected to reach SAR 1,923 billion in FY 2027, equivalent to 35.9% of GDP, while government reserves are expected to remain at SAR 399 billion. The government will diversify financing instruments through domestic and international borrowing, project finance and infrastructure financing.

GEOPOLITICAL UNCERTAINTY AND GLOBAL ECONOMIC VOLATILITY REMAIN KEY RISKS TO FISCAL AND ECONOMIC PERFORMANCE

Disruptions to energy markets, maritime trade routes and global supply chains could affect oil and non-oil revenues, increase financing costs and constrain economic activity. The government is adopting flexible fiscal policies and alternative revenue scenarios to preserve fiscal stability and mitigate external shocks.



Budget 2027

Budget

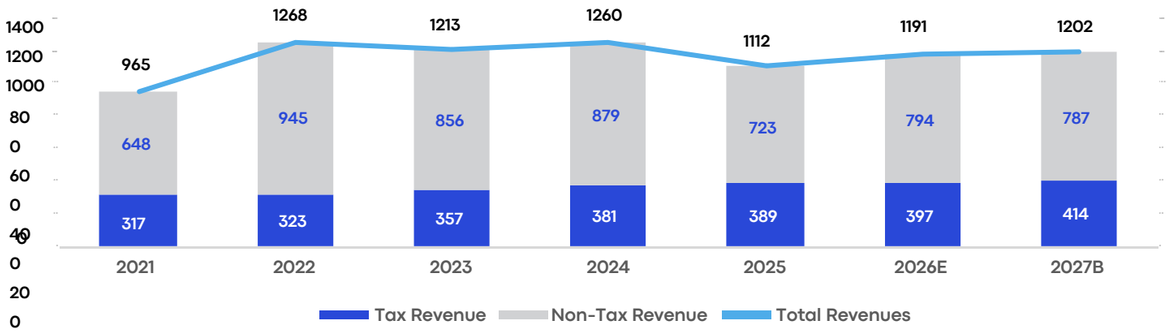
Saudi Arabia's Cabinet, chaired by HRH the Crown Prince and Prime Minister, approved the FY2027 budget on 24 November 2026. Total expenditure is set at SAR 1,392 billion against revenues of SAR 1,202 billion, leaving a deficit of SAR 191 billion (3.6% of GDP).

This is the first budget prepared during an active regional conflict. The closure of the Strait of Hormuz cut crude supply by about 15% in the first nine months of 2026, and real GDP is now estimated to contract by 2.1% in 2026. The budget assumes a rebound to 10.9% growth in FY2027.

FY2027 expenditure is 6.0% above the original FY2026 budget of SAR 1,313 billion and 3.1% below the FY2026 estimate of SAR 1,436 billion. Adjustments to electricity and water tariffs, together with a 61.6% reduction in subsidies, are expected to support expenditure efficiency.

Customs duties are expected to recover to SAR 25 billion (+7.3%) as imports normalise after the supply-chain disruption of 2026. Other taxes, including Zakat, fall 10.2% to SAR 35 billion because companies hit by the conflict earned less in 2026. Income and profit taxes stay flat at SAR 33 billion.

Tax and Non-Tax Revenue (billions)



Source: Ministry of Finance

Revenues

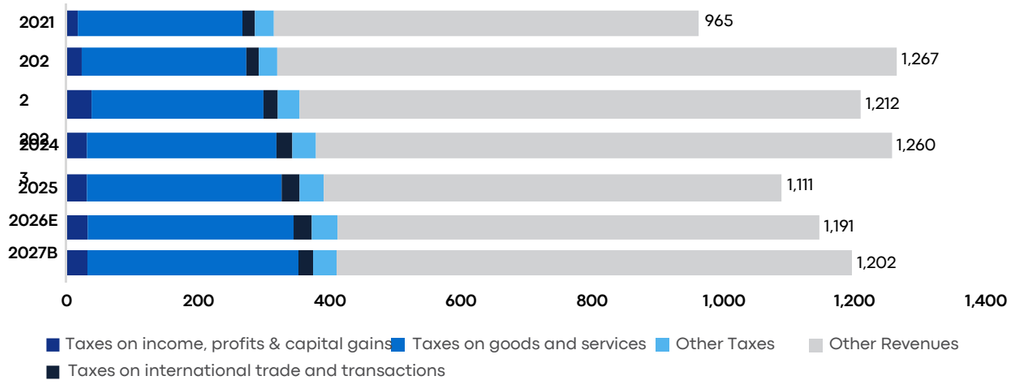
Total revenues for FY2027 are budgeted at SAR 1,202 billion, 1.0% above the FY2026 estimate of SAR 1,191 billion, reflecting the prudent approach adopted in the revenue estimates. In 2026, Brent prices averaged about USD 88.7 per barrel through September, roughly 27% higher than a year earlier, which helped offset the decline in crude supply. The modest increase in budgeted revenues suggests that this price support is not expected to continue.

Tax revenues are projected at SAR 414 billion, up 4.5% on the FY2026 estimate. Taxes on goods and services, mostly VAT, are expected to rise 6.6% to SAR 322 billion as private consumption recovers. Household spending is projected to grow 4.2% in real terms in FY2027.

Other revenues, including oil revenues, are budgeted at SAR 787 billion, 0.9% below the FY2026 estimate. In our view, this is a conservative assumption given the expected recovery in oil output. The Ministry of Finance's revenue scenarios range from SAR 1,134 billion to SAR 1,261 billion, depending largely on regional geopolitical developments.

The tax mix keeps shifting towards consumption. Taxes on goods and services have grown from SAR 251 billion in 2021 to a budgeted SAR 322 billion in 2027 and now make up nearly 78% of all tax revenue. Income and profit taxes have almost doubled over the same period but remain small at SAR 33 billion.

Revenue Components (billions)



Source: Ministry of Finance

Expenditure

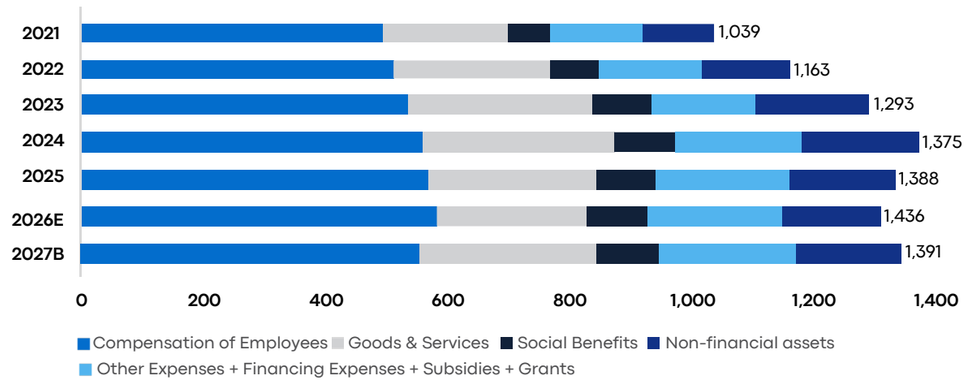
Total expenditure is budgeted at SAR 1,392 billion, 3.1% below the 2026 estimate of SAR 1,436 billion. Spending in 2026 ran SAR 123 billion (9.4%) over budget as the government paid for strategic food reserves, support for public service companies, defence procurement and higher debt costs. The 2027 budget brings spending back down, but not to the level originally planned for 2026.

Operating expenditure is set at SAR 1,214 billion. Compensation of employees stays broadly flat at SAR 573 billion (41% of total spending), while goods and services fall 6.5% to SAR 302 billion as operating costs are tightened.

The biggest change is in subsidies, which fall 61.6% to SAR 18 billion after a review of support to electricity and water companies. Tariff adjustments come with direct support for eligible citizens, which shows up in employee compensation and social benefits (SAR 105 billion, −5.1%).

Financing expenses are the fastest-growing item, rising 31.1% to SAR 93 billion in FY2027, up from SAR 54 billion in FY2025. This is equivalent to more than half of budgeted capital expenditure (CAPEX) of SAR 178 billion.

Expenditure Components (billions)



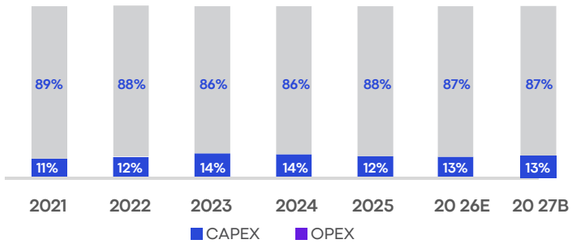
Source: Ministry of Finance

Budget 2027

Budget

Capital expenditure (CAPEX) for FY2027 is budgeted at SAR 178 billion, 2.1% below the FY2026 estimate and 12.8% of total expenditure. The Ministry of Finance attributes the decline to the acceleration of long-term military sector plans in FY2026. Priority projects and giga-projects will continue, with funding increasingly supported by PIF, NDF and public-private partnerships.

Expenditures by Category



Source: Ministry of Finance

Military

Military spending rises 3% to SAR 263 billion, overtaking health and social development as the largest sector. Together with security and regional administration, defence and security now take SAR 381 billion, or 27% of the budget. This is the clearest sign of how the regional conflict is reshaping priorities.

Health and Social Development

The allocation for FY2027 declines by 16% to SAR 256 billion, compared with the FY2026 estimate of SAR 304 billion. FY2026 expenditure included the transitional arrangements for the first and second groups of health clusters to the Health Holding Company, as well as the development of sports stadiums for the 2027 AFC Asian Cup. The transition of the third group of health clusters is planned for FY2027.

Municipal Services

The allocation for FY2027 increases by 12% to SAR 93 billion, reversing the decline in FY2026. Key projects include 80,000 housing units and developed land in partnership with real estate developers, the first phase of the new seventh Riyadh Metro line, and three major gardens under the Green Riyadh Program.

Education, Economic Resources & Infrastructure

Education (SAR 195 billion, –5%), economic resources (SAR 98 billion, –5%) and infrastructure and transportation (SAR 38 billion, –7%) all edge lower. Several transport projects, including the Taif and Qassim airports and the Asir–Jazan and Jeddah–Makkah roads, are moving to PPP contracts, which lowers the direct cost to the budget.

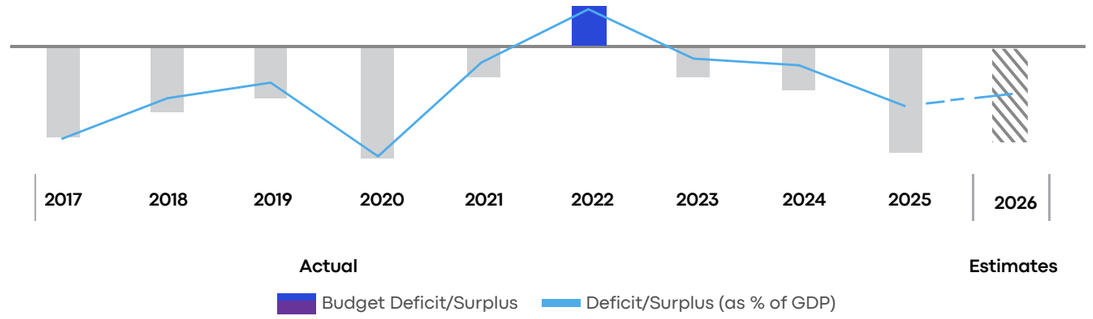
General Items

General items, which cover pensions, debt costs and central allocations such as the giga-projects allocation, rise 6% to SAR 272 billion, partly because public debt is costing more to service.

Expenditures by Sector (billions)	Budget 2026	Estimate 2026	Budget 2027	Annual Change (Budget 2027 vs Estimate 2026)*
Public Administration	57	59	58	-2%
Military	240	254	263	3%
Secuirty & Regional Administration	120	130	118	-9%
Municipal Services	72	83	93	12%
Education	202	205	195	-5%
Health and Social Development	259	304	256	-16%
Economic Resources	92	103	98	-5%
Infrasructure and Transportation	35	41	38	-7%
General items	236	256	272	6%
Total	**1,313**	**1,436**	**1,392**	**-3%**

Source: Ministry of Finance

Deficit/Surplus (as % of GDP)



Source: Ministry of Finance

The actual nominal GDP is according to data published by GASTAT, and total GDP of FY 2026isbasedontheupdatedestimates.

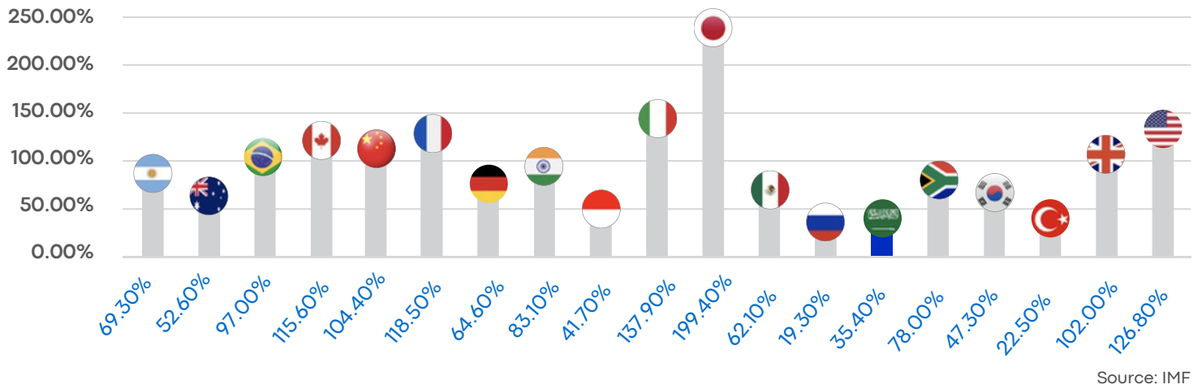
The FY2027 budget targets a deficit of SAR 191 billion (3.6% of GDP), compared with an estimated SAR 245 billion (4.9% of GDP) in FY2026. The FY2026 deficit exceeds the original budget of SAR 165 billion by SAR 80 billion, reflecting ongoing geopolitical developments and continued spending on programmes to diversify the economy.

The Ministry of Finance projects the deficit at 3.1% of GDP in FY2028 and 3.3% in FY2029, and expects it to remain at similar levels over the medium term. The deficit will be financed through borrowing in line with the Medium-Term Debt Strategy. In our view, this indicates that deficits are now a planned feature of the current phase of Vision 2030 rather than a short-term response to lower oil revenues.

Public debt is projected to reach SAR 1,923 billion (35.9% of GDP) by the end of FY2027, up from an estimated SAR 1,733 billion in FY2026, and SAR 2,293 billion (39.0% of GDP) by FY2029. The government will continue to issue bonds and sukuk and raise loans, and plans to expand alternative financing through project finance, infrastructure financing and export credit agencies.

Saudi public debt remains below that of most G20 economies, and government reserves at SAMA are maintained at SAR 399 billion. In our view, the main constraint is the cost of borrowing rather than the capacity to borrow. Following SAMA's increase of the repo rate to 4.5% in September 2026, financing expenses are projected to rise by 31.1% in FY2027, the highest growth among expenditure items.

General Government Gross Debt (% of GDP, 2026)



Source: IMF

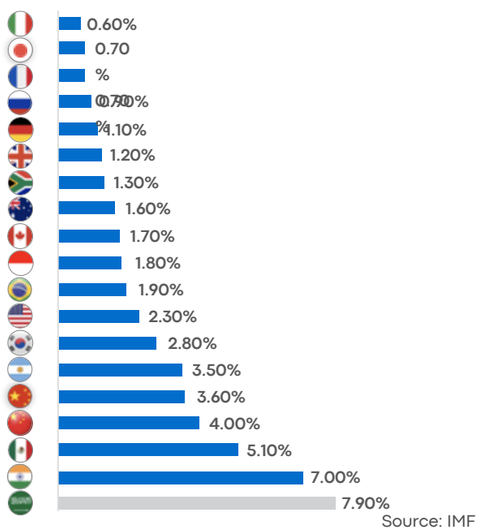
Macro Economic

	2024A	2025A	2026E	2027P	2028P	2029P
Growth Indicators						
Real GDP Growth	2.7%	4.6%	-2.1%	10.9%	3.9%	5.7%
Nominal GDP (tn)	4.7	4.8	5.03	5.4	5.7	5.9
Inflation	1.7%	2%	1.9%	2.3%	1.9%	1.9%

GDP Growth

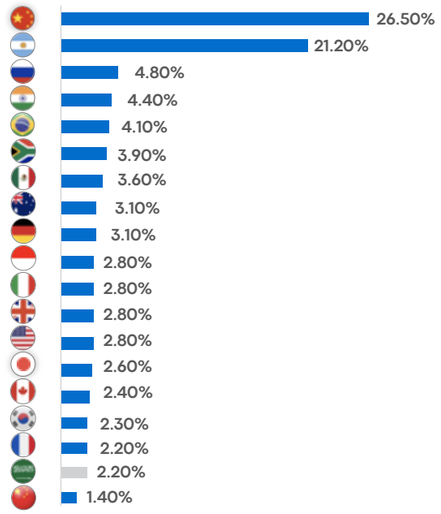
Saudi Arabia's FY2027 budget projects 10.9% real GDP growth, following an estimated 2.1% contraction in FY2026. The scale of the rebound reflects both the expected recovery in oil production and the low output level from which that recovery begins. The pace at which production returns will therefore have a large bearing on the FY2027 outcome. Non-oil activity matters more for the years that follow, as the initial lift from restoring crude output fades. The budget projects growth to ease to 3.9% in FY2028. The IMF takes a more moderate view of the near-term rebound, although its 7.9% forecast still places Saudi Arabia first among the G20 economies shown.

G20 Countries with the Highest Expected GDP Growth Rates (2027)



Source: IMF

Expected Inflation Rate of G20 Countries (2027)



Source: IMF

Inflation

The budget projects consumer price inflation to rise from 1.9% in FY2026 to 2.3% in FY2027, before easing to 1.9% in FY2028. The modest increase is consistent with an oil-led recovery. Restoring crude production raises national output directly, while the effect on consumer prices depends on how quickly additional income feeds through to domestic spending. Households would therefore see living costs rise slightly faster in FY2027, even as the economy records a much sharper rebound. The IMF's inflation forecast of 2.2% is close to the budget assumption and places Saudi Arabia alongside France, near the lower end of the G20 range.

Oil Market Supply disruptions lifting oil prices

The IMF estimates that global oil prices will average USD 95.74 per barrel in 2026, up 41% from USD 67.74 in 2025. The main driver was the disruption to Gulf oil shipments after the outbreak of war in late February. With the Strait of Hormuz largely closed for much of the year, refiners competed for fewer available cargoes and drew down inventories. Saudi Arabia redirected crude through its East–West pipeline to the Red Sea port of Yanbu, but that route could replace only part of the lost Gulf shipments.

For Saudi Arabia, higher prices coincided with fewer barrels sold abroad. Even after a strong September recovery, Saudi crude exports averaged 5.38 million barrels per day, around 1.1 million below the same month in 2025. The disruption that lifted the global benchmark also limited how much crude the Kingdom could deliver, tempering the benefit to export earnings

Average Oil Price per Barrel

95.74 USD per barrel Estimated Price in 2026



87.39 USD per barrel Estimated Price in 2027

Average Oil Production per Day

9.1 million barrels per day Estimated Production in 2026



10.1 million barrels per day Estimated Production in 2027

Source: IMF, JODI

Banking Sector

Saudi banks enter 2027 with strong capital buffers and stable loan quality. The IMF projects that both private-sector credit and broad money growth will accelerate in 2027. For banks, the principal constraint is the cost of funding that expansion. As customers shift balances into higher-paying term deposits, banks face higher funding costs and greater pressure to price new loans accordingly.

Real estate was the largest business lending category in Saudi Arabia in Q3 2026, accounting for 12.4% of total bank credit. Lending to the sector grew 15.2% year on year, more than twice the 6.2% growth in private-sector credit. If that gap persists in 2027, more of banks' loan repayments will depend on developers completing projects and collecting proceeds from sales and leases on schedule

Total Bank Assets

+5.26 trillion 2026E

+5.3 trillion 2027P

Private Sector Credit

3.3 trillion 2026E

3.6 trillion 2027P

Money Supply (M3)

3.3 trillion 2026E

3.6 trillion 2027P

Source: IMF

Risks & Challenges

Uneven global growth and weaker external demand

Theslowdown in 2026 leaves Saudi exporters facing an uneven recovery in 2027. The IMF expects global growth to strengthen, but projects growth in China, a major Saudi trading partner, to ease from 4.5% in 2026 to 4.0% in 2027. Weaker demand and trade restrictions, both identified as risks since 2025, therefore remain relevant. For Saudi crude and petrochemical exporters, softer orders from industrial buyers could limit the recovery in export earnings even as shipping conditions improve.

Regional tensions and reliability of trade routes

A risk first highlighted in the FY2025 budget materialised in 2026 when disruption through the Strait of Hormuz restricted Gulf shipments. Saudi Arabia redirected crude to Yanbu, but interruptions to the East–West pipeline showed that the alternative route was also exposed. The risk entering 2027 is intermittent disruption: even a temporary interruption can delay cargoes, raise freight costs and lengthen the time exporters wait for payment. The same uncertainty complicates delivery schedules for Saudi manufacturers that rely on imported components.

Oil revenue volatility and rising financing costs

Saudi Arabia enters 2027 exposed to the timing of two developments: a recovery in export volumes and an expected decline in oil prices. Saudi crude supply averaged 15% less in the first nine months of 2026 than a year earlier, while the IMF assumes the global oil price will ease from USD 95.74 per barrel in 2026 to USD 87.39 in 2027. If prices fall before shipments fully recover, oil receipts could come under pressure just as government financing expenses are budgeted to reach 93 billion, up from 71 billion estimated for 2026. This would narrow the fiscal room available to absorb a revenue shortfall while maintaining planned expenditure.



Kingdom's Response to Global Shocks

Expenditure prioritisation and protection of capital investment:

Saudi Arabia directs most of the spending reduction towards operating expenditure, which accounts for 40 billion of the 44 billion decline from the FY2026 estimate. Capital expenditure is budgeted at 178 billion, compared with 182 billion estimated for 2026. This preserves funding for development projects and supports domestic activity as export demand remains uncertain.

Trade facilitation and targeted relief for exporters:

Government introduced measures during the 2026 shipping disruption: additional freight capacity, customs clearance support, fee exemptions and marine insurance for cargo and vessels. Exporters also received assistance with higher logistics costs, while development funds deferred government loan repayments for affected firms. Together, these measures addressed the immediate cost of rerouting goods and the financing gap between shipment and payment.

Non-oil revenue development and reserve preservation:

The government's medium-term fiscal policy prioritises a broader non-oil revenue base to reduce the budget's exposure to fluctuations in oil receipts. For FY2027, it projects government reserves at the Saudi Central Bank of approximately 399 billion, broadly unchanged from the FY2026 estimate. Maintaining that buffer gives the Kingdom room to manage a temporary revenue shortfall while sustaining priority expenditure.

How Saudi Arabia Is Strategically Tackling Disruptions From All Four Regional Fronts

Iraq-linked militia activity

Saudi authorities attributed a pipeline disruption to Iraq-based militias.

US–Israeli conflict with Iran

AfterIran restricted shipping through the Strait of Hormuz in March, Saudi Arabia diverted around four million barrels of crude per day towards the Red Sea



Red Sea shipping attacks

By September,insurers were quoting war-risk premiums of up to 7% of vessel value for voyages to southern Saudi ports such as Jazan, up from around 1% in early July.

Houthi attacks from Yemen

September attacks halted operations at some Saudi energy facilities, and on 25 November the Saudi-led coalition reported minor damage at Jazan Port from a Houthi projectile.

Saudi Arabia's budget aims to keep regional disruptions from forcing abrupt changes in public spending. It maintains planned expenditure across a range of revenue outcomes, giving ministries a consistent basis for funding public services and priority projects even if oil receipts weaken. The government plans to cover the deficit through domestic and international borrowing while preserving its reserves. This gives the Kingdom room to keep commitments already under way and retain cash if disruptions last longer than expected.

How will Saudi Arabia fund the 2027 budget?

2026E	2027P
Total Revenues 1,191	Total Revenues 1,202
Total Expenditures 1,436	Total Expenditures 1,392
Budget Deficit 245	Budget Deficit 191

Public debt balance

1,923 bn

Government reserves at SAMA

399 bn

Financing Needs

Saudi Arabia's FY2027 budget projects a 22% reduction in the deficit, from an estimated 245 billion in FY2026 to 191 billion. In FY2026, principal repayments of 52 billion brought estimated financing needs to 297 billion, alongside a 245 billion deficit. The Kingdom has already eased part of the repayment pressure ahead of FY2027 by exchanging more than 17 billion of debt due across 2027, 2028 and 2030 for new sukuk. The 54 billion reduction in the budgeted deficit therefore captures only part of the change in funding needs. How much the Kingdom must raise in 2027 also depends on the principal still due after those exchanges and the funding secured in advance

Borrowing Channels and Reserves

Public debt balance
Public debt is projected to rise from 1,733 billion at end-FY2026 to 1,923 billion at end-FY2027, lifting the debt-to-GDP ratio from 34.5% to 35.9%. The 190 billion increase closely matches the projected deficit, indicating that the annual shortfall will largely carry through to the government's debt balance. Gross borrowing can be higher because issuing new debt to refinance an existing obligation adds to the year's issuance while leaving the outstanding principal broadly unchanged.

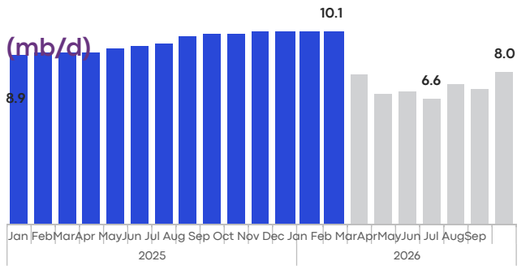
Government reserves at SAMA
Government reserves at the Saudi Central Bank are projected to close FY2027 at 399 billion, unchanged from the FY2026 estimate. Taken together, the debt and reserve projections show the financing choice in the budget. The Kingdom expects to carry more debt while preserving cash that it can use if revenues fall short or payments come due before borrowing is secured. The trade-off is a larger debt portfolio whose interest costs and repayment schedule will shape future budgets.

FY2026 Performance Review

Overview

FY2026 tested the resilience of the Saudi economy. The regional conflict that began at the end of February disrupted shipping through the Strait of Hormuz and the Bab el-Mandeb. The Kingdom's crude oil supply averaged about 7.9 million barrels per day through September, 15% lower than a year earlier.

Crude Oil Supply



Real GDP is estimated to contract by 2.1% in FY2026, compared with the 4.6% growth assumed in the FY2026 budget. Oil activities declined by 14.6% through Q3, while non-oil activities are expected to grow by 2.5% and reached a record 57.7% of GDP in the first nine months.

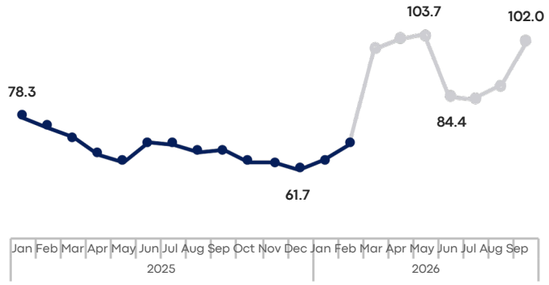
The East-West Pipeline and Red Sea ports played a critical role. Between January and September, 35.1% of non-oil exports and 44.5% of imports were routed through Red Sea ports, up from 17.4% and 28.5% a year earlier, allowing exports to continue despite the closure of the Strait of Hormuz.

The labour market remained resilient. Unemployment declined to 3.0% in Q2 2026, and the number of Saudis employed in the private sector rose by about 190,000 to 2.7 million. Inflation is expected to average 1.9%, well below the global average of 4.7%.

Revenues

Total revenues are expected to reach 1,191 billion in FY2026, 7.1% higher than FY2025 and 3.7% above budget. Higher oil prices helped offset lower volumes, with Brent averaging about USD 88.7 per barrel through September compared with USD 69.9 a year earlier.

Brent Crude Price (USD/bbl)

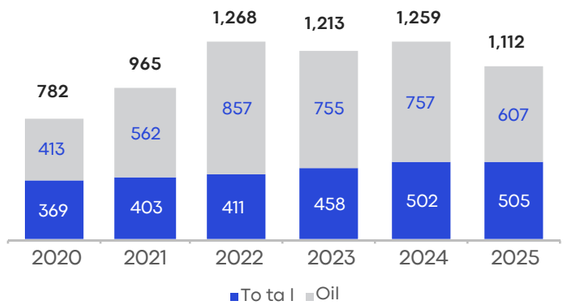


Source: Reuters

Tax revenues grew by 2.0% to SAR 397 billion, 15 billion below budget. Taxes on goods and services rose by 2.5%, while customs duties fell by 4.2% as trade disruption reduced imports, and income taxes declined by 3.8% due to lower withholding tax from non-residents.

In FY2025, oil revenues fell by 20% to 607 billion, while non-oil revenues rose by 1% to 505 billion. In Q3 2026, non-oil revenues exceeded oil revenues for the first time since 2020, reflecting continued progress in diversifying government income.

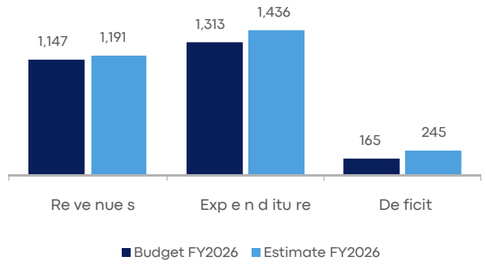
Oil and Non-Oil Revenues (bn)



Expenditures

Total expenditure is expected to reach 1,436 billion in FY2026, 3.4% above FY2025 and 123 billion (9.4%) above the approved budget of 1,313 billion. In our view, the overrun reflects a deliberate choice to protect growth and essential services during the conflict.

FY2026 Budget vs Estimate (bn)



Operating expenditure rose by 2.8% to SAR 1,254 billion, SAR 103 billion above budget. The increase was driven mainly by the following items.

Subsidies (+34.0% to SAR 48 billion), reflecting the strategic food security stockpile and support for public service companies to maintain essential services.

Financing expenses (+30.3% to 71 billion), reflecting a larger debt portfolio.

Social benefits (+11.2% to 110 billion), following the extension of social security to elderly individuals with no income, persons with disabilities and orphans without a caregiver.

Goods and services (+2.1% to 323 billion), mainly due to the transfer of health clusters to the Health Holding Company.

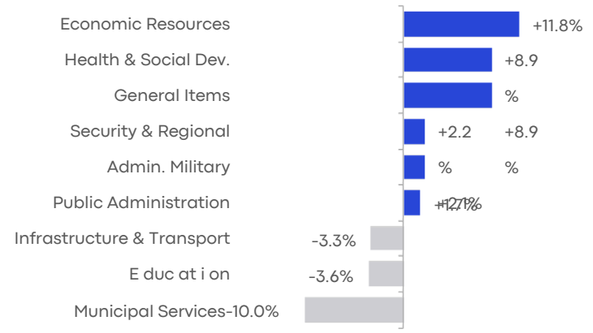
Capital expenditure rose by 8.0% to 182 billion, reflecting accelerated long-term military plans and projects including the Red Sea project, Qiddiya and strategic water storage.

Sectoral Performance

The conflict led the government to reprioritise expenditure towards food security, cybersecurity, defence and health. Health and social development (+8.9% to 304 billion) and economic resources (+11.8% to 103 billion) recorded the largest increases, the latter driven by industrial infrastructure including the Wa'ad Al-Shamal Phosphate (3) project.

Military expenditure rose by 2.1% to 254 billion as defence procurement was accelerated, while municipal services, education and infrastructure and transportation declined

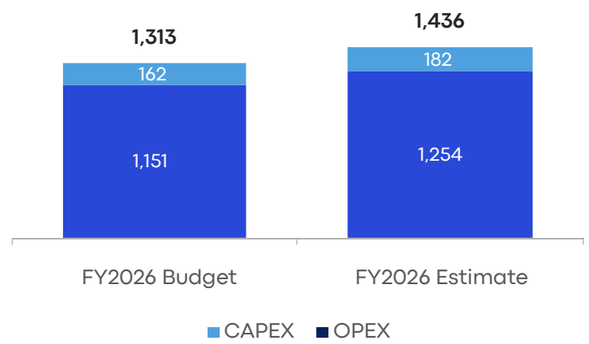
Sector Change vs FY2025 (%)



Source: Ministry of Finance, Budget Statement FY2027

Of the 123 billion overrun in FY2026, operating expenditure accounted for 103 billion, while capital expenditure exceeded its budget by 20 billion.

FY2026 OPEX and CAPEX (SAR bn)

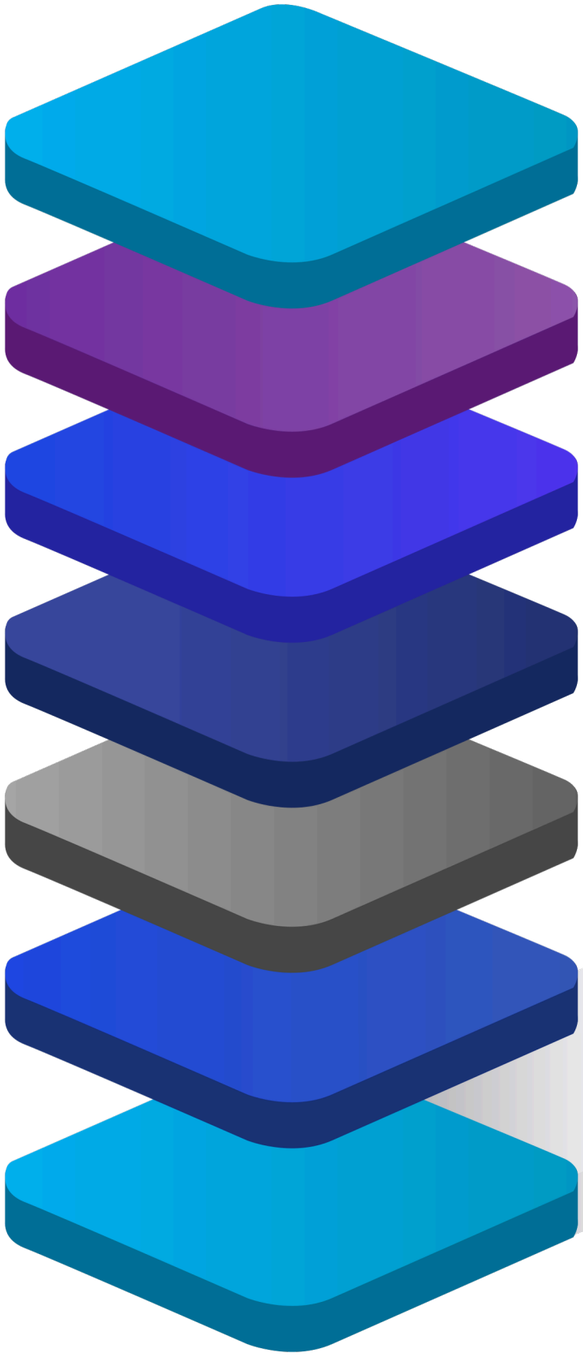


Source: Ministry of Finance, Budget Statement FY2027.

Key Fiscal and Economic Enablers

Saudi Vision 2030 Realization Programs

Theprogramsthatdeliveredthefirstphase ofVision2030andtheirkeyresults in 2025–2026



Housing Program
66.24%
Of Saudi households owned their homes by end-2025, exceeding the FY2026 objective. More than 25,000 families received housing support in 2026.

Health Sector Transformation
97.5%
Of the population covered by primary health care in 2025, while 80.66% of hospitals met basic patient safety requirements.

Pilgrim Experience
90%+
Hajj and Umrah satisfaction, above the Vision 2030 target, supported by more than 131,000 volunteers in 2026

Quality of Life
2,833
literary events held by Q2 2026, alongside the launch of Riyadh University of the Arts and the Black Gold Museum.

Human Capability Development
63rd
QS ranking of King Fahd University of Petroleum & Minerals in 2026, up from 67th, with 123 short university programs for 15,000+ students.

Industrial Development & Logistics
SAR 20 bn
of investment attracted in H1 2026, including SAR 5.9 billion from abroad, creating about 32,000 jobs.

National Transformation Program
SAR 10.5 bn
cumulative savings from digital government initiatives since 2020 Ministry of Justice e-services reached 96.64% by Q2 2026, above the 91% target. Productive households supported by the National Development Bank recorded sales of SAR 2.85 billion in 2026 through Q3.

National Strategies

Buildingon the achievementsoftheVision Realization Programs, national sectoral and regional strategies now lead the next phase of Vision 2030.

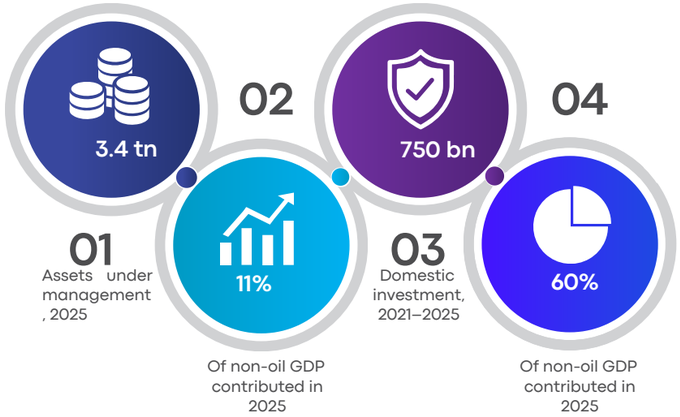


Key Fiscal and Economic Enablers

Saudi Vision 2030 Realization Programs

Public Investment Fund (PIF)

PIFismovingfromrapidexpansiontocreatingsustainablevalue,underanew 2026–2030 strategy approved by its Board.



2026 milestones include Saudi Aramco's acquisition of 49% of HUMAIN (PIF retains 51%), CEER's first national electric vehicle, about 98% completion of the Red Sea Project's first phase, and the launch of AMAALA.

Development Projects

Developmentprojectstranslatenationalpriorities into infrastructure, public spaces and services, with new phases planned for 2027.

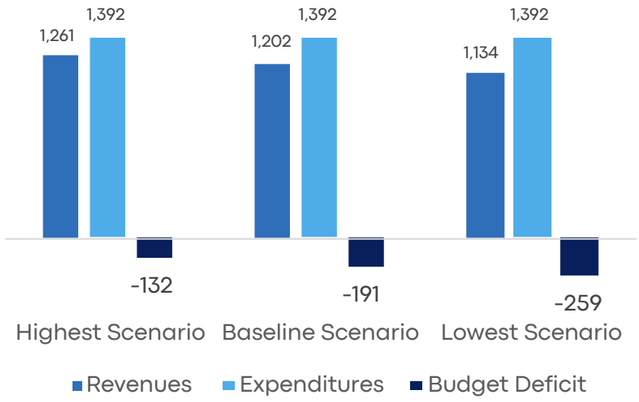
Project	Delivered in 2026	Planned for 2027 and beyond
Green Riyadh	14 major parks covering more than 12 million m² under way.	296 new parks covering more than 1.9 million m² to open in 2027.
Saudi Green Initiative	About 6.88 million trees planted on royal reserve lands across 9 regions.	7 million trees to be planted by Q4 2028.
Riyadh Metro	All six metro lines launched and in operation, completing the main rapid transit network.	First phase of a new 66 km seventh line with 19 stations.
Holy Sites Transport	More than 71 million passengers carried during Ramadan 1447 AH.	160 km Wasl Al-Haram network before Ramadan 1448 AH.
King Salman Park	First-phase infrastructure completed; 16 awards won.	Pilot opening of the first phase in 2027.
AlUla Heritage Sites	Visitor spending of SAR 785 million and 152,000 overnight visitors.	Raise heritage site sustainability to 76% in 2027.

Revenue Scenarios and Fiscal Flexibility

Saudi Arabia's FY 2027 budget holds expenditure at 1,392 billion across all three revenue scenarios. At baseline revenue of 1,202 billion, the deficit is projected at 191 billion, an improvement of 54 billion from the FY2026 estimate. Stronger trade and export flows could narrow the deficit to 132 billion. If regional disruptions persist, the downside scenario puts the deficit at 259 billion, 14 billion above the FY2026 estimate. Maintaining the spending plan would protect priority programmes, but a revenue shortfall of 68 billion from baseline would more than erase the planned fiscal improvement and increase the government's financing needs.

Revenue scenarios help Saudi Arabia plan for changes in oil prices and export volumes while keeping public services and projects on schedule. By holding expenditure steady across scenarios, the budget shows how much additional financing the government would need if receipts fall short and how much less it could borrow if revenues strengthen. This gives the Kingdom scope to arrange funding ahead of payment deadlines and reduces the risk that a temporary revenue shortfall delays work already under way.

Revenue Scenarios for FY2027 Budget (bn)



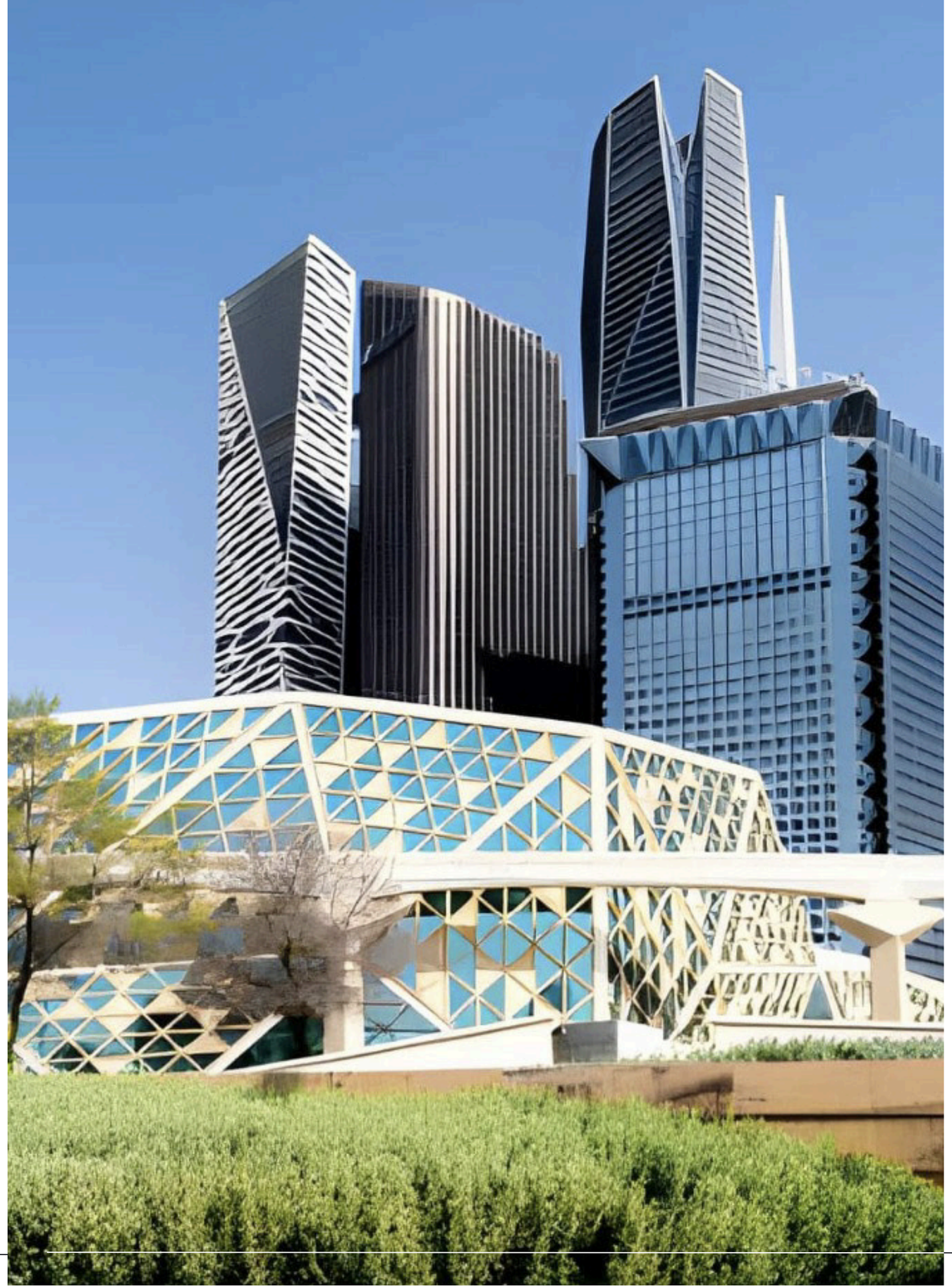


Looking Ahead

Saudi Arabia enters FY2027 with two sources of growth. Recovering oil production is expected to drive much of the 10.9% rebound in real GDP, while the non-oil economy brings momentum of its own. Non-oil activity grew an estimated 2.3% in FY2026, even as the wider economy contracted. For businesses, that resilience matters beyond the coming year. Once oil production recovers and its initial boost to growth fades, demand for transport, hospitality and other services can continue to support hiring and investment.

The FY2027 budget also gives a clearer view of where public investment will support domestic demand. Overall expenditure is expected to ease as exceptional spending in FY2026 recedes, yet municipal funding rises 12% to SAR 93 billion. Housing partnerships, planned metro expansion and new public spaces give developers and suppliers a clearer basis for planning work. For residents, the benefits extend beyond construction as better transport connections bring jobs and services within easier reach.

Tourism offers a practical example of how earlier investment can generate business in FY2027. More than 500 hotels with over 100,000 rooms have opened across the Kingdom following investment in recent years. Those properties now need operators, trained staff and local suppliers every day they trade. Better air connections can help turn that capacity into longer stays and greater visitor spending, extending the gains to restaurants, retailers and transport providers. For Saudi firms, one of the year's most promising opportunities lies in serving destinations that are already welcoming guests.



Strengths supporting the recovery

The Kingdom's financial strength lies partly in its ability to keep priority commitments on schedule when revenues fluctuate. The FY2027 budget projects SAR 399 billion in government reserves, unchanged from the FY2026 estimate, while drawing on domestic and international borrowing to finance the deficit. Saudi Arabia also enters the year with experience in bringing private capital into public projects. By the third quarter of FY2026, 98 privatisation contracts had closed, attracting more than SAR 57 billion in private investment. For the next generation of infrastructure projects, that experience matters as much as the availability of capital. Public agencies and operators can draw on earlier agreements when deciding who finances construction, maintains the asset and bears the risk if demand falls short.

Opportunities for business

The clearest opportunities emerge where budget allocations are tied to a specific change in how services will be built or delivered. Municipal services funding rises 12% to SAR 93 billion, with housing partnerships, planned metro expansion and new parks creating potential work across utilities, site development and maintenance. In transport, the proposed use of public–private partnerships for Taif and Qassim airports opens a longer-term role for firms able to operate and maintain assets after construction. Healthcare presents a different opportunity. The planned transfer of a third group of health clusters to the Health Holding Company makes continuity of care an immediate operational priority, with potential demand for clinical systems, training and facilities support. Across these sectors, tender releases, contract awards and operating requirements will provide the clearest evidence of when budget priorities translate into business.

Thank You!

www.bncglobal.in

+91 9810 575613

summit@bncglobal.in

Plot no C-15 & C-16 Ground floor Udyog Vihar Phase 5